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September 2, 2016

VIA HAND DELIVERY AND E-MAIL

Jeff S. Jordan
Federal Election Commission
Office of Complaints Examination
and Legal Administration
999 E Street, NW
Washington, DC 20436

Re: MUR 7087

Representative Alan Grayson, the Committee to Elect Alan Grayson, Dustin Anderson, in his official capacity as treasurer of the Committee to Elect Alan Grayson, the Sibylline Fund Management Co., LLC, the Sibylline Fund General Partner, LLC, the Sibylline Fund LP and the Sibylline Master Fund, LP (formerly known as the Grayson Master Fund, LP)

Dear Mr. Jordan:

This letter and accompanying affidavit constitute the response of Representative Alan Grayson, the Committee to Elect Alan Grayson (the "Committee"), Dustin Anderson in his official capacity as treasurer of the Committee, the Sibylline Fund Management Co., LLC, the Sibylline Fund General Partner, LLC, the Sibylline Fund, LP, and the Sibylline Master Fund, LP (formerly known as the Grayson Master Fund, LP) to the American Democracy Legal Fund's ("ADLF") complaint in Matter Under Review ("MUR") 7087.¹

¹ The Sibylline Fund, LP, the Sibylline Fund General Partner, LLC, the Sibylline Fund Management Co., LLC, and the Sibylline Master Fund Ltd. are four of the five entities that comprised Rep. Grayson's investment partnership. The fifth entity was a Cayman Islands entity that was created as a vehicle for non-taxable investors (such as pension funds) to contribute to the investment partnership which was never used for that purpose and has therefore been terminated. The Sibylline Master Fund Ltd., formerly known as the Grayson Master Fund, LP, is also a Cayman Islands entity created for the same reason that is in the somewhat-lengthy process of being shut down because it also has never been used for that purpose. For purposes of this response, all of the Sibylline entities, unless otherwise noted, will be referred to collectively as "the Grayson investment partnership."

Summary of the Complaint

The complaint alleges that the Grayson investment partnership violated the Federal Election Campaign Act ("FECA") and Federal Election Commission (the "Commission") regulations by supposedly paying the Committee's finance director, David Keith, a salary of \$1,000 a month for campaign or Committee-related work. The complaint asserts that Mr. Keith's salary from the Grayson investment partnership constitutes an excessive contribution to the Committee that was not reported in violation of 52 U.S.C. §§ 30116(a)(1)(A), (a)(6), (c) and 30104(b)(3)(A).

The allegations of the complaint are simply false. None of the Grayson investment partnership entities ever paid Mr. Keith anything for any campaign or Committee-related work.

The complaint is pure speculation that relies on no independent facts or personal knowledge. The complaint contends that Mr. Keith did not perform any work for the Grayson investment partnership and that the salary he received from the investment partnership was to cover a supposed \$1,000 per month reduction in Mr. Keith's salary from the Committee. The complaint offers no facts whatsoever to support this claim. Instead, the complaint relies on a highly selective reading of the Committee's FEC reports disclosing salary payments to Mr. Keith to allege that his campaign salary was reduced by \$1,000 per month starting in August of 2014. In reality, Mr. Keith's Committee salary varied considerably from month to month, as is the case for most campaign employees. Indeed, the complaint concedes that Mr. Keith's campaign salary was paid sporadically, but attempts to gloss over this inconvenient fact by burying that concession in a footnote. See ADLF Complaint at 5, footnote 9. A complete reading of all the Committee's FEC reports shows that there is no basis for the complaint's assumption that Mr. Keith's campaign salary was reduced \$1,000 per month in August of 2014.²

It is through this misrepresentation and speculation that the complaint reaches the conclusion that Rep. Grayson's investment partnership allegedly paid Mr. Keith \$1,000 per month for campaign-related work. Thus, the ADLF argues that Rep. Grayson's investment partnership's payments to Mr. Keith were excessive campaign contributions that were not reported in violation of FECA and Commission regulations, 52 U.S.C. §§ 30116(a)(1)(A), (a)(6), (c) and 30104(b)(3)(A).

² The complaint, in a transparent attempt to mislead the Commission, attaches a chart listing the Committee's salary disbursements to Mr. Keith that are misrepresented in a way to have Mr. Keith's Committee salary appear as if it was reduced by \$1,000 per month at the end of August 2014. This was not the case as Mr. Keith, for example, was paid \$7,500 in May of 2014, nothing in September of 2014, and \$8,000 in December of 2014. Thus, as is the case in most campaigns, Mr. Keith's compensation varied significantly from month to month and it cannot be reasonably assumed that his compensation was fixed or reduced from \$5,000 per month to \$4,000 per month in August of 2014.

Statement of Facts

Prior to running for Congress, Rep. Grayson founded the Grayson investment partnership, whose investors were limited to his family and two close friends. The investment partnership was created by experienced securities attorneys and Rep. Grayson relied on the advice of counsel on all matters related to the investment partnership's legal structure.

The Grayson investment partnership is comprised of five entities: the Sibylline Fund, LP, the Sibylline Fund General Partner, LLC, the Sibylline Fund Management Co., LLC, the Sibylline Master Fund, LP, and a now-defunct Cayman Islands Entity that is not a named respondent in the complaint. The Sibylline Fund General Partner is the general partner of the Sibylline Fund, LP. The Sibylline Fund Management Co. is the entity responsible for managing the investment partnership's day-to-day operations, and Rep. Grayson is a member of that entity with personal knowledge of that entity's operations and purpose. See Affidavit of Alan M. Grayson at ¶ 2 (attached as Exhibit 1). The Sibylline Master Fund is a Cayman Islands entity created on the advice of counsel as a separate, segregated pool for potential investors who would not be subject to U.S. income taxes, such as churches or pension funds. No such investors ever invested in Rep. Grayson's investment partnership, and no money was ever transferred into or otherwise invested in the Cayman Islands.

Mr. Keith was paid a total of \$15,000.03 by the Sibylline Fund Management Co. for his investment partnership-related work from July 1, 2014 through October 31, 2015. Aff. ¶¶ 3-4. The Sibylline Fund Management Co. never paid Mr. Keith any money for any campaign or Committee-related work. Aff. ¶ 5. Mr. Keith was paid exclusively by the Committee for all his campaign or Committee-related work. Aff. ¶ 5.

At the time that Mr. Keith was hired by the Sibylline Fund Management Co., Rep. Grayson was facing the possibility of being redistricted out of a safe Democratic seat due to redistricting litigation in Florida state court.³ The court in that case ultimately ruled, on July 10, 2014, that Florida's existing congressional district plan was unconstitutional, leaving the future composition of Rep. Grayson's district in flux and thus potentially decreasing the likelihood that he would be re-elected in the event his district was redrawn to include more Republican voters.⁴ This litigation and uncertainty continued for several years thereafter.⁵

Rep. Grayson considered the possibility of not running again for the House of Representatives due to the pending redistricting litigation. Aff. ¶ 6. In the event he chose not to run for Congress, Rep. Grayson considered the possibility of expanding his investment partnership.

³ See *Romo v. Detzner*, No. 2012-CA-000412, 2014 WL 3797315 at *3 (Fla. Cir. Ct. July 10, 2014). This case had been pending since 2012.

⁴ See *id.* at *20.

⁵ *League of Women Voters of Florida v. Detzner*, 172 So. 3d 363, 416 (Fla. 2015) (reversing the state circuit order in *Romo v. Detzner* to the extent it approved a remedial redistricting plan submitted by the Florida Legislature, thereby requiring further submission and approval of a redistricting plan).

This contingency plan might entail additional outside investors to invest in the Sibylline Fund. Aff. ¶ 6. Accordingly, the Sibylline Fund Management Co., LLC hired Mr. Keith to train him in how to attract such investors in the event Rep. Grayson decided not to run again for the House of Representatives, and to assume day-to-day potential trading operations for the fund. Aff. ¶¶ 6-7.

Contrary to the complaint's allegations, Mr. Keith was in fact performing work for the investment partnership during the period in question, as Rep. Grayson was training Mr. Keith on his investment philosophy, how to implement that philosophy, and how to trade securities. Aff. ¶ 7. Rep. Grayson was trading securities for the investment partnership at that time and intended to delegate that responsibility to Mr. Keith. Aff. ¶ 7. Additionally, the amounts the Sibylline Fund Management Co. paid to Mr. Keith were intended to compensate him for lost business opportunities, since Mr. Keith agreed to forgo other employment and make himself available to attract outside investors in the event Rep. Grayson decided not to run for Congress and expand his investment partnership. Aff. ¶ 8.

Legal Arguments

FECA provides that a contribution includes "the payment by any person of compensation for the personal services of another person which are rendered to a political committee without charge for any purpose." 52 U.S.C. § 30101(8)(A)(ii). Commission regulations further specify that the term "contribution" includes "[t]he payment by any person of compensation for the personal services of another person if those services are rendered without charge to a political committee for any purpose" 11 C.F.R. § 100.54. FECA generally prohibits contributions to a candidate or his committee in excess of \$2,700 per election. 52 U.S.C. §§ 30116(a)(1)(A), (a)(6), (c).

Here, the Sibylline Fund LP, the Sibylline Fund General Partner, LLC, the Sibylline Master Fund, and Rep. Grayson never paid any amounts whatsoever to Mr. Keith. Thus, the ADLF has alleged no basis legally or factually to find any wrongdoing whatsoever as to Rep. Grayson, the Sibylline Fund LP, the Sibylline Fund General Partner, LLC, and the Sibylline Master Fund.

As to the allegations against the Sibylline Fund Management Co., the Committee, and the Committee's treasurer, Dustin Anderson, there is no basis whatsoever for the allegation that the Sibylline Fund Management Co. made excessive contributions to the Committee that it then failed to report. As described above, Mr. Keith was never paid by the Sibylline Management Co. for any campaign or committee-related work. The complaint falls woefully short of FECA's "reason to believe" threshold for further consideration by the Commission. The ADLF has presented no evidence whatsoever – because there is none – that the Sibylline Fund Management Co. paid Mr. Keith to perform campaign or committee-related work. Even for the limited facts the ADLF tries to represent, it does so inaccurately and in a manner to mislead the Commission, as Mr. Keith was paid a variable amount by the Committee throughout Mr. Keith's tenure there.

During the period in which Mr. Keith worked simultaneously for the Committee and the Grayson investment partnership, Rep. Grayson lent the Committee \$525,000. It strains credulity beyond the breaking point to believe that Rep. Grayson would engage in a scheme to pay Mr. Keith the relatively minor amount of \$15,000 secretly through his investment partnership when he had already lent the Committee more than half a million dollars to pay campaign expenses, including Mr. Keith's salary as the Committee's finance director.

Conclusion

The Commission has repeatedly rejected speculative complaints that provided no specific facts to support allegations that FECA was violated and where the respondents have rebutted the unsubstantiated allegations with sworn affidavits. *See, e.g.*, MUR 6657 (Todd Akin for Senate), MUR 6358 (Jaime for Congress), MUR 6059 (Sean Parnell for Congress), MUR 5823 (Citizens Club for Growth), MUR 5754 (MoveON.org Voter Fund) and MUR 5750 (Laffey U.S. Senate).

Accordingly, for the all the reasons discussed above, the Commission should find that there is no reason to believe that any of the respondents violated the Federal Election Campaign Act or FEC regulations and dismiss the ADLF's complaint.

Sincerely,



Brett G. Kappel

Counsel for Representative Alan Grayson, the Committee to Elect Alan Grayson, Dustin Anderson, in his official capacity as treasurer of the Committee to Elect Alan Grayson, the Sibylline Fund Management Co., LLC, the Sibylline Fund General Partner, LLC, the Sibylline Fund, LP, and the Sibylline Master Fund, LP (formerly known as the Grayson Master Fund, LP)

11-0444-10000

EXHIBIT 1

DECLARATION OF ALAN M. GRAYSON

ALAN M. GRAYSON declares under oath as follow:

1. I am over the age of 18 and competent to testify as to the matters contained herein.

2. I am a member of the Sibylline Fund Management Co., LLC, and a United States Congressman representing Florida's 9th Congressional District. I have personal knowledge of matters relating to David Keith's employment with the Sibylline Fund Management Co., LLC as well as all other matters described in this Affidavit.

3. Mr. Keith was employed by the Sibylline Fund Management Co., LLC from July 1, 2014 through October 31, 2015.

4. Mr. Keith was paid a total of \$15,000.03 by the Sibylline Fund Management Co., LLC for his services during this time period.

5. Mr. Keith was never paid by the Sibylline Management Co., LLC for any work he did related to my election campaigns. For campaign work, he was paid exclusively by the Committee to Elect Alan Grayson.

6. Before the Sibylline Fund hired Mr. Keith, I considered the possibility of not running again for the House of Representatives due to pending litigation concerning the geographical boundaries of my Congressional district. In the event that I decided not to run for Congress, I considered, as a contingency plan, that I might expand the Sibylline Fund, whose investors included only my family and close friends. This contingency plan might entail outside investors to invest in the Sibylline Fund. Thus, the Sibylline Fund Management Co., LLC hired Mr. Keith to train him in how such investors might be attracted, in the event that I decided not to run again for the House of Representatives.

7. During Mr. Keith's employment with the Sibylline Fund Management Co., LLC, I was also training Mr. Keith on my investment philosophy, how to implement that philosophy, and how to trade securities. During the period in question, I was trading securities for the Sibylline Fund, and I intended to delegate such activities to Mr. Keith.

8. The payments to Mr. Keith from the Sibylline Fund Management Co., LLC included compensation to Mr. Keith for his lost business opportunities since he agreed to forgo

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other employment and make himself available to try to attract outside investors in the event that I decided not to run for Congress, and also expand the Sibylline Fund.

9. The foregoing is true and correct to the best of my knowledge, information, and belief. I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 1st day of September, 2016.


Signature of Affiant, Alan M. Grayson

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